RBI Panel for Screening Proposals for Investment

513. SHRI VEDPRAKASH P. GOYAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India is constituting a special panel to screen all the proposals for investment by Indian companies in their Joint Ventures and Wholly Owned Subsidiaries abroad; and

(b) if so, what are the details of the composition, tenure, function, jurisdiction etc. of the Panel?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) As per the Guidelines for Indian Direct Investment in Joint Ventures and Wholly Owned Subsidiaries Abroad issued by Government of India, overseas investment proposals not falling under the various Fast Track Routes is considered by a Special Committee appointed by the Reserve Bank of India in consultation with Government and chaired by the Commerce Secretary with the Deputy Governor, RBI as the alternate Chairman and representatives of Ministry of Commerce, Ministry of Finance, Ministry of External Affairs and RBI as members. Such a Committee has been constituted in 1995 and has no fixed tenure. The Committee screens all overseas investment proposals upto US $ 15 million and makes its recommendation on the basis of which RBI grants or refuses permission. The proposals beyond US $ 15 million, after consideration by the Committee, are transmitted to the Ministry of Finance for examination.

Diversion of Capital Receipts By States

514. SHRI NARENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that State Governments are indulging in fiscal indicipline and are diverting capital receipts, which are essentially high-cost borrowed funds, towards current expenditure;

(b) if so, whether Government are thinking of disciplining the State Government especially to control the market borrowing; and

(c) what steps are being taken so that such a situation could be avoided?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) As per the RBI report on State Finances, A Study of Budgets of 1999-2000, the revenue deficit for 25 States and NCT of Delhi absorbed 53.8 percent of their Gross Fiscal Deficit in 1998-99. High revenue deficits impinge upon the fiscal deficit by pushing up the borrowing requirements of State Governments and by diverting a high proportion of borrowed funds into financing current expenditure. State Governments are autonomous under the Constitution and are expected to take measures of their preference from time to time to improve their finanical status. However, as recommended by the National Development Council Sub-Committee, some States have evolved and undertaken their own medium term fiscal reform programme aimed at reduction in revenue deficit through increased revenue mobilisation, reduction in non-plan revenue expenditure, correction in pricing and subsidy, and disinvestment. The Government of India has created a facility for extending medium term assistance to those states who have entered into an agreement with Government of India for initiating monitorable fiscal reform programmes.

Non-Payment of Returns to Investors of Indian Bank Mutual Fund

515. DR. GOPALRAO VITHALRAO PATIL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Indian Bank Mutual Fund is in no mood to pay up the assured returns of around Rs. 70 crores to investors of Ind Prakash Scheme; and

(b) if so, in what manner Government will be assisting Investors in getting their assured returns from Indian Bank Mutual Fund?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The Indian Bank Mutual Fund had floated the Ind Prakash Scheme in 1992 which offered assured returns. Subsequently, SEBI received complaints